ABSTRACT

This research was conducted to analyze and get deeper understanding regarding whether the stock return in Indonesia is affected by the corporate aging that changes the firm characteristics during the period of crisis or not. Strengthen by the previous researches and literatures that showed the relevancy of the firm characteristics and how they affected the characteristics that affect the pricing of the stocks. In order to reveal the findings, multivariate panel regression approach was utilized. The results of the research had revealed that regarding corporate aging, mostly young firms affect the firm characteristics, while middle and older age firms didn't. Out of those characteristics observed, firm size and book to market ratio mattered when looking at young corporate ages. However, during crisis, middle-aged firm size was affected that caused effect towards the stock return. When looking at individual company beta, it was only affected for the young age firms during crisis. Overall, only young aged firms with the year of five or below had significant impact that change the characteristics of the stock that affect the stock return, especially for firm size and book to market ratio. Additionally, considering another risk of investing in terms of volatility and financial distress also must be looked at when investing in stock market in Indonesia due to the significance of them as the firm characteristics that were revealed in the research results.

Keywords: corporate aging, firm characteristics, firm size, book-to-market ratio, company beta, volatility, financial distress, stock return, fixed-effect panel regression approach, Indonesia Stock Exchange